Committee on Resources
Subcommittee on Energy & Mineral Resources

Statement

Statement of the Wyoming Mining Association and the
Wyoming Soda Ash Producers to the
House Energy and Mineral Resources Subcommittee of the
House Resources Committee in Support of H.R. 3063
October 21, 1999

Representative Cubin, members of the Subcommittee:

My name is John Corra. I am the Special Projects Manager for FMC Corporation at its Green River, Wyoming soda ash mines. I am also the immediate past president of the Wyoming Mining Association. I appear before the Subcommittee today to speak strongly in support of H.R. 3063, which is vital to the future of the United State's soda ash industry. I am speaking on behalf of the Wyoming Mining Association, whose Board of Directors has adopted a resolution supporting the legislation and the four active Wyoming soda ash producers. These producers, in addition to FMC, are General Chemical, Solvay Minerals and OCI, Inc.

H.R. 3063 and its companion bill in the Senate, S. 1722, make a simple but very important change in the Mineral Leasing Act. For the last fifty years, companies that mine trona on federal sodium leases have been limited to holding no more than 15,360 acres per company per state. H.R. 3063 provides the Secretary of the Interior with discretion to increase the acreage held by any one producer in a state to 30,720 acres. This doubling of the acreage cap is essential to ensure the continued vitality of an environmentally responsible and critical mining industry for our country.

Background

The world's largest deposit of trona, a form of natural soda ash, lies buried in layered beds 800 to 2000 feet below the surface in Southwestern Wyoming. Four~~i~~ companies are currently recovering the trona and converting it to refined soda ash (sodium carbonate), a white powder that is used for the production of glass, detergents and other sodium chemicals. The industry in Wyoming produces about 10.5 million tons of soda ash annually (with a capacity of 12 million) from mining operations that remove over 21 million tons of ore. The industry employs about 2850 workers in high wage mining and manufacturing jobs. U.S. produced soda ash accounts for a $400 million positive contribution to our balance of trade.

An increase in the lease limit is overdue, in comparison to other minerals that have similar limitations

Much of the trona deposit is owned by the Federal government and is managed by the Bureau of Land Management of the Department of the Interior and is subject to the various statutes and regulations governing Federal leaseable minerals. Included in those statutes is a provision which limits the amount of Federal sodium acreage any one company can lease in one state. Maximum acreage limits were originally applied to sodium acreage, like those applied to other minerals, to prevent any one company from

monopolizing a market by controlling all the deposits containing the raw material mineral.

The sodium lease limit has not been changed for 50 years. The sodium acreage limitation was established in 1948 at 5,120 acres (per state) with provision that the BLM can increase the limit to 15,360 acres "where necessary in order to secure economic mining of sodium compounds." Sodium, coal phosphate and oil and gas were all assigned identical or similar per state lease acreage limitations in 1926 amendments to the Mineral Leasing Act ("MLA") (2,560 acres per state for sodium, coal and phosphate; 2,560 acres per geologic structure and 7,680 acres per state for oil and gas). The acreage limitation for each of these mineral was increased once in 1946 and 1948 MLA amendments (sodium, coal and phosphate to 5,120 per state in 1948; oil and gas to 15,360 acres per state in 1946). But from that point sodium remained the same while all the other minerals were substantially increased. The per state acreage limitation for oil and gas leases was increased twice more (to 46,080 acres in 1957 and 246,080 acres in 1960) and the per state acreage ceiling for coal and phosphate leases were increased once more (to 46,080 for coal and 20,480 acres for phosphate in 1964). Adjusting acreage limits for all minerals is a necessary practice to meet changing business environments and to meet the needs of producers as they mine out their deposits.

The limit for potash (potassium), which operates under a different set of rules established by BLM regulation rather than Federal statute, was increased in 1986 to 51,200 acres, and BLM has proposed to increase this further to 96,000 acres. The similarities between potash and trona are many; they have similar mining techniques and industry competitiveness issues.

An increase in the sodium lease limit would not be anti-competitive

Increasing the maximum acreage of federal sodium leases (per State or within the US) that can be held would not be inconsistent with antitrust laws nor foster monopoly. The mechanically mineable sodium lease area in Wyoming contains 473,000 acres in total, of which approximately 46% are Federal acreage. Solution mining technologies available today enable another 221,000 acres of sodium resource to become mineable. Of this area, nearly 70% is owned by the federal or state government and available for leasing. Currently there are five producing mines in Wyoming, one in California and one in Colorado (for sodium bicarbonate, a related sodium chemical), with one more permitted in Wyoming (Wold) and one more new entrant undertaking the permitting process in Colorado (American Soda). Therefore, effective competition will exist even with a significant acreage limit increase.

Federal law provides for review of any proposed merger of competitors for potential monopoly implications. The Federal Trade Commission and the Department of Justice Antitrust Division share this responsibility. The "Hart-Scott-Rodino" review they conduct provides a thorough and reasoned evaluation of the potential anti-competitive impact of any such business combination, including consideration of far more factors than Federal lease acreage alone. The recent acquisition of Tg Soda Ash, Inc. by FMC was approved by the FTC without any expression of concern over anti-competitive issues.

While a Federal lease acreage limitation can help create a level competitive playing field among a reasonable number of competitors, a limit which is too low will lead to smaller mines and plants with diseconomies of scale that are not in the public interest. If Wyoming soda ash processors are too small they will not be able to compete in the international soda ash market where virtually all future market growth is expected to occur.

If the limit is not increased it may compel producers to relinquish mined-out acreage that should be retained to support environmentally sound and efficient operations

Relinquishment of mined-out lease acreage is one approach potentially open to producers so they can add acreage to support their operations and expansion plans. However, relinquishment of mined-out acreage is not usually possible under current laws and regulations or desirable from a public perspective because that mined-out acreage continues to be used for:

1) Access to and ventilation for the rest of the underground mine as the mined-out areas tend to be close to the original shaft and plant site;

2) Potential secondary recovery based on solution mining, but usually only after the mine is completely mined-out mechanically; and

3) Disposal of tailings wastes. The Wyoming Department of Environmental Quality is pushing producers to return their tailings waste to the mined-out sections of their mines and three of the four producers are doing this now.

Thus, the acreage limit should be increased so that producers can acquire adequate reserves without giving up mined-out acreage, the retention of which by the producers would have environmental and economic benefits to the public (such as royalties from secondary recovery).

The low acreage cap will soon limit the soda ash industry's ability to expand and to compete internationally

Soda ash plants are major, long-term investments. New plant investment, including a substantial expansion of an existing plant, depends upon assured access to reserves for several decades (a minimum of 30 years, and 50 is desirable) to assure a solid basis for the investment. A number of the existing Green River producers are at or near the point where an expansion would reduce their projected mine life below the 30 year minimum prudent for an soda ash plant expansion investment of well over $100M. (A 1.2 million-ton per year incremental expansion for an existing producer would cost approximately $200M, and a 1.2 million-ton new plant and mine would cost $340M.).

Average soda ash plant and trona mine sizes need to increase in order to maintain Wyoming's economic competitiveness. When the current acreage limitation was established in 1948 the only natural soda ash producing plant in Green River (then under construction) had a projected capacity of 300 thousand tons per year. Over the past decade the Green River soda ash industry has grown and prospered because its economic competitiveness allowed Wyoming to be the location of choice for new soda ash capacity to serve much of the world. Without this increase in exports there would have been no growth in Green River output, as domestic soda ash demand has been flat over this period, and is expected to continue to be flat.

Over the past few years, however, new and expanding plants in China and Bulgaria, and potentially soon in Argentina, Brazil and Indonesia, are serving much of the world growth in soda ash demand. Since 1994 the US soda ash industry has lost nearly 500kT of sales to Chinese exporters, and in late 1998 the Chinese soda ash producers announced the formation of a soda ash export organization with the intention of aggressively increasing their export volume into the same markets currently served by Wyoming soda ash producers. Meanwhile, many of the synthetic soda ash plants around the world, and particularly in Europe, with which Wyoming natural soda ash competes in export markets, have been incrementally expanding capacity and investing in co-generation equipment to improve their energy efficiency. This has improved their cost positions and ability to compete.

To continue to grow and prosper, Wyoming producers must continue to improve their competitiveness, a major driver of which is size. Size is particularly important in underground trona mines, which are capital and infrastructure intensive. Perhaps the most attractive mining technology for trona is longwall mining which has been adapted from the coal industry. FMC has operated a longwall for more than a decade and Solvay has placed such a unit on order to support their announced expansion. This type of machine, which costs $15-25M, is only economically effective if it is mining large tonnage. FMC's longwall operation supports almost two million tons of soda ash production per year, and can be economically expanded further. Only a large trona mine can make effective use of this highly efficient but capital intensive technology, and the investment will only be made if the remaining trona reserve life is significant.

The existing low cap may serve as a disincentive to maximum ultimate ore recovery

One of the BLM's overriding goals in the management of the trona reserves is to ensure that the producers are obtaining the maximum possible recovery. Raising the acreage cap and allowing for consolidation of mining properties will help enhance the development of marginal reserves, simply because uneconomic reserves near the edges of the existing leaseholds can be retained for a time when mining economics permit recovery.

The Wyoming Mining Association and the soda ash producers appreciate this opportunity to speak in favor of H.R. 3063 and urge the Subcommittee to approve the bill.

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